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This Week in Canadian Agriculture, Issue 18

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Report Highlights:

"What's New, Eh?" * Ag Census Shows Fewer, but Larger Farms * Wheat Is Still King, but Other Crops Increasing * Higher Livestock Receipts Boost Canadian Net Farm Income * Farm Bailout Package Being Considered * New Minor-use Pesticide Initiative to Help Farmers * CWB Expands Payment Options for Wheat and Durum * Alberta Moves to Bypass CWB * Canadian Forestry Sector Receives C\$75 Million Investment *
Pettigrew Announces C\$20 Million for Canadian Forestry Sector Awareness Campaign *

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.



***** **NOTE TO READERS: DUE TO A COMPLETE FAILURE OF OUR OFFICE'S AGED AND OBSOLETE COMPUTER NETWORK, WE WERE UNABLE TO PROVIDE "THIS WEEK IN CANADIAN AGRICULTURE" FOR THE PREVIOUS TWO WEEKS. THE LAST ISSUE WAS SUBMITTED ON MAY 10, 2002.** *****

AG CENSUS SHOWS FEWER, BUT LARGER FARMS: According to Statistics Canada, which recently released certain data from the 2001 Census of Agriculture, Canada had 246,923 farms May 15, 2001, down almost 11% since 1996. All provinces shared the decline, with 8 of the 10 showing decreases over 10%. Canadian farms have been getting bigger. The average farm in 2001 was 676 acres, compared with 608 acres in 1996. Farms with gross receipts of C\$250,000 or more accounted for 13.8% of all farms in 2001, compared with 9.4% in 1996 (at 2000 prices). The average farm size in that sales class was 1,620 acres.

WHEAT IS STILL KING, BUT OTHER CROPS INCREASING: Canada's 2001 Census of Agriculture also showed that while wheat is still king, its crown is slipping. Canadian farmers are switching to different crops for economic reasons. In 2001, for every acre in wheat, 2.3 acres were in other field crops, compared with 1.8 in 1996. Wheat still represents the largest crop area but has declined 12.6%. Pulses, such as dry field peas, lentils and beans, showed significant increases. Livestock numbers have increased substantially to reach a new high. The number of cattle on Canadian farms has risen again - as it has in every census since 1986. Hog numbers are approaching the level of cattle numbers for the first time.

HIGHER LIVESTOCK RECEIPTS BOOST CANADIAN NET FARM INCOME: Canadian farmer's net cash income - the difference between a farmer's cash receipts and operating expenses - reached C\$8.8 billion in 2001, almost 30% higher than during the previous year. Statistics Canada reported that despite sharply higher costs of inputs such as feed and fertilizer, this increase was mainly due to a booming livestock sector and marginal growth in crop receipts as farmers drew heavily on their crop inventories to support sales in 2001 as grain and oilseed production was substantially reduced due to adverse weather conditions. Cash receipts rose 9.7% to C\$36.2 billion in 2001 - with increased receipts from the livestock sector being responsible for more than half the rise. Higher program payments - resulting from poor growing conditions and increased payments from various income disaster programs - accounted for almost 30% of the gain. Operating expenses rose 4.4% to C\$27.4 billion. Aside from higher fertilizer and feed costs, hikes in natural gas prices led to a jump in heating fuel expenses.

CROP PRODUCERS FACE CASH DIFFICULTIES IN FIRST QUARTER OF 2002: According to Statistics Canada, total farm cash receipts during the first quarter of 2002 reached C\$8.9 billion, up fractionally from C\$8.8 billion during the same period last year. However, crop receipts amounted to C\$3.3 billion, down 5.4% from January - March a year ago, and the lowest level since the first quarter of 1994. They remained 14.5% below the previous five-year average (1997 to 2001). Lower deliveries for most of the major grains and oilseeds more than offset the increase in prices for all of them. Program payments also declined during the first quarter. However, both declines were offset by a jump in livestock revenues, which rose 6.6% to \$4.8 billion. This increase was the result of higher receipts for cattle and to a lesser extent hogs.

FARM BAILOUT PACKAGE BEING CONSIDERED: According to the *Globe and Mail*, the GOC is considering a short-term bailout package worth up to several hundred million dollars to help Canadian farmers hard hit by drought and depressed crop prices. The newspaper said a payout package comprised of reallocated money and some new cash could be unveiled soon as short-term "bridge funding" until the federal government reworks its agriculture programs. The *Globe and Mail* story claimed that the government will avoid describing pending

assistance as compensation for trade injury, a reference to the U.S. Farm Bill and EU subsidies which the GOC reportedly estimates cost Canadian farmers C\$1.3 billion from their depressing effect on agricultural prices.

NEW MINOR-USE PESTICIDE INITIATIVE TO HELP FARMERS: Canada has launched a C\$7.3 million initiative aimed at reducing the risks of pesticides and improving the competitiveness of its agricultural producers through a new "minor-use" program. A total of C\$3.3 million will be used by Agriculture and Agri-Food Canada and the provinces to increase the availability of reduced-risk and more environmentally friendly pesticides for Canadian farmers, which will help improve their competitiveness internationally. In addition, Health Canada's Pest Management Regulatory Agency will be allocated C\$4 million to develop the minor-use program and implement strategies for reducing risks of pesticide use to human health and the environment. 'Minor use' pesticide products are those used in such small quantities that manufacturers find the sales potential is not sufficient to seek a registration in Canada. The action is expected to be of particular help to Canadian horticultural crop producers, who will benefit from better access to the newer, safer, more efficient and environmentally friendly minor crop pest control products being used by U.S. growers, many of whom export produce to Canada. Presumably, U.S. minor crop pest product sales to Canada will increase as a result of the initiative. For more information see CA2061.

CWB EXPANDS PAYMENT OPTIONS FOR WHEAT AND DURUM: The Canadian Wheat Board (CWB) announced more marketing choices for farmers for their 2002/03 crop. A new Fixed Price Contract (FPC) for durum will be offered on a trial basis and the Early Payment Option (EPO) will be extended to all classes of wheat, except durum. While these options represent additional tools for prairie farmers, they do not provide the same degree of flexibility that eastern wheat growers have via the Direct Marketing program offered by the Ontario Wheat Producer's Marketing Board (OWPMB) that allows producers to market 300,000 metric tons outside of the OWPMB. For more information, see GAIN report CA2063.

ALBERTA MOVES TO BYPASS CWB: According to the May 17 edition of *ProFarmer Canada*, the Canadian Wheat Board and its monopoly on wheat and barley sales is a bigger problem than the US Farm Bill, commented Alberta Premier Ralph Klein in a media scrum. "The premier was answering questions in regards to the impact the US Farm Bill would have on producers in Alberta, when Klein was asked about whether the CWB was a bigger problem than the farm bill," Gordon Turtle, with the Premier's office said. Turtle noted that Klein basically agreed with the question and indicated the province's long standing concern about the CWB and its monopoly role. "Generally, it has been the Alberta position that the CWB's monopoly position in the marketing of wheat and barley has been detrimental to the free-thinking, entrepreneurial, free-enterprise farmers in the province," Turtle noted. Turtle added that the context in which the Premier referred to the CWB was nothing new and he was only re-stating the province's opposition to the CWB. Meanwhile, a new bill which received second reading in the Alberta legislature before the spring session wrapped up May 14, was seen as a early move to allow producers in the province to bypass the CWB. Bill 207, provides for the Alberta government to enter into an agreement with the CWB and/or the federal government to establish an open market for barley and wheat produced in Alberta in order to test the premise. The Bill will continue its progress in the fall session, which will likely occur in November.

LATE SEASON FROST DAMAGES ONTARIO TOMATO AND GINSENG CROPS: Ontario field tomato and ginseng growers are assessing the damage caused by a mid-May frost where ground temperatures reportedly reached -4 Celsius for almost 6 hours on May 20th. Agricultural news wire services, *farms.com* and *AgriLink* reported that tomato growers in the Leamington area lost an estimated 75% of the seedling tomatoes planted. However, according to H.J. Heinz Company spokesman, Scott Makey, a slower than normal planting season meant that only about a quarter of the tomato area had been planted. Despite the ability to replant, growers anticipate that this year's tomato harvest will be set back. The same cold snap hit Ontario ginseng fields. Early estimates show that more than 80 per cent of ginseng growers suffered substantial crop damage. Ken Spriet, president of the Ontario Ginseng Growers Association, told *the Canadian Press* that he wanted to meet with Helen Johns, Ontario's minister of agriculture, to discuss the damage done to the farms of Ontario's 268 ginseng growers.

TIM HORTONS PLANS CANADIAN AND U.S. EXPANSION: Tim Hortons President and Chief Operating Officer Paul House said last week's that he expects the doughnut chain to add about 170 to 180 new restaurants per year in Canada for the next several years with the potential to exceed 3,000 total units in Canada. Currently, the chain has 2,048 restaurants in Canada in a variety of formats. The U.S. division, which consists of 145 restaurants -- 53 in Michigan, 51 in Ohio, 33 in the Buffalo, N.Y. market and 8 others -- is growing rapidly. The chain plans to open a total of 25 to 30 new restaurants in the U.S. during 2002 and announced last Friday that it has made a firm commitment to the Rochester market with the unveiling of a coffee roasting plant and 4 new Tim Hortons stores scheduled to open in September, 2002. "We see Rochester as a logical extension of our U.S. growth, particularly in light of our success in the Buffalo market", said House. Canadians are choosing doughnuts and coffee over Big

Macs and fries, and Tim Hortons says that its Canadian sales will soon surpass those of its rival, McDonald's Restaurants of Canada Ltd. Wendy's International Inc., acquired Tim Hortons in 1995 for a reported \$C400 million. Tim Hortons was founded in 1964 by hockey player, Tim Horton and his partner, Ron Joyce and is the largest coffee and fresh baked goods chain in Canada.

ONTARIO MILK QUOTA DOWN 1%: According to the May 21 edition of *Good Morning Ontario*, milk and cream quotas in Ontario will be reduced one percent effective June 1, 2002. The reasons for quota adjustment are several months of decline in markets for industrial milk products and a slight decline in P5 fluid milk sales. Canadian Milk Supply Management Committee policy required that quota adjustments are triggered when Canadian requirements (either industrial or fluid) increase by one percent or decrease by 0.5 percent for two consecutive months. This policy ensures that quota levels react quickly to changes in the market. This adjustment brings Ontario's issued producer quota in line with the province's allotted provincial quota.

CANADIAN FORESTRY SECTOR RECEIVES C\$75 MILLION INVESTMENT: Natural Resources Canada Minister Herb Dhaliwal announced on May 16 an investment of almost C\$75 million to support several initiatives to help ensure that Canada's forest industry remains prosperous and competitive. These programs are intended to secure the industry's position in the global market. The funding will target new and existing export markets for wood products, and provide for increased research and development (R&D) that will support innovation in the forest-products sector. The funding is allocated as follows: (1) \$29.7 million for the Canada Wood Export Program (CWEP); (2) \$30 million to support research and development activities; and (3) \$15 million for the Value-Added Research Initiative for Wood Products. For more information, see GAIN report CA2064.

OVER 7000 LAID OFF ACCORDING TO QUEBEC LUMBERS MANUFACTURERS ASSOCIATION: A May 22 *Canada Newswire* article reported that with the 27.2% tax on Canadian lumber exported to the United States taking effect, the Quebec Lumber Manufacturers' Association (QLMA) believes that the coming months will be very hard for the 250 municipalities whose livelihood depends on forests. "With the arrival of this tax, forestry companies will have difficult choices to make in terms of mill operations and consequences on workers. It's going to hurt", said Charles Tardif, Chairman of the QLMA. Throughout Quebec, there have been over 7,000 temporary job layoffs in all. According to Tardif, "If the governments don't also help the industry, assistance programs for workers will only postpone the inevitable - mill closures and layoffs." In Quebec, the lumber industry accounts for 38,000 jobs. If the governments do not provide financial assistance to this industry, over 3,800 direct and indirect jobs (mill- and forest-based) will be lost in the short term.

PETTIGREW ANNOUNCES C\$20 MILLION FOR CANADIAN FORESTRY SECTOR AWARENESS CAMPAIGN: International Trade Minister Pettigrew announced that the Government of Canada will contribute C\$20 million to help Canada's softwood lumber industry raise awareness in the United States of the impact of U.S. softwood lumber duties on U.S. interests, and to step up Canada's advocacy efforts in the United States. C\$17 million will be provided for Canadian lumber associations to undertake a softwood industry-led campaign to raise awareness of the negative impact that softwood lumber duties will have in the United States, and to encourage productive negotiations and a resolution of this dispute. An additional C\$3 million will enhance the ability of the Canadian embassy and consulates in the United States to advance Canadian positions on key trade issues. For more information, see GAIN report CA2065.

CANADA CUSTOMS THWARTS HONEY BEE SMUGGLING: According to a *Canadian Press* story and the Canadian Association of Importers and Exporters, Canada Customs recently intercepted two shipments of bees from the United States in the last two weeks. The most recent shipment was intercepted May 23 at the border crossing at Carway, Alberta. Customs officials discovered 250 bees hidden in honey combs. Another 90 bees were seized May 15 at the border crossing near Del Bonita, Alberta. No charges have been laid, but the seizures have caused a buzz in agriculture circles. Rising demand for Alberta honey - among the most high-quality honey in the world - is likely behind the attempts to sneak queen bees into Canada. Canada has banned imports of live U.S. bees since 1987 due to the presence of varroa mite in certain U.S. states. In 1993, Agriculture and Agri-Food Canada permitted the resumption of the importation of queen bees from Hawaii under strict health measures. Under the authority of the Animal Health Act and Regulations, the GOC has been extending the import ban every two years. However, in 1999 the honeybee import prohibition order was extended until December 31, 2004.

Did You Know... that since 1996, grape area in Canada has increased 41%, the largest relative increase in area of

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the top five fruits grown in Canada (source: Statistics Canada).

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2065	Pettigrew Announces Additional C\$20 Million for Canadian Forestry Sector	5/30/2002
CA2064	Canadian Forest Industry to Get C\$75 Million in Assistance	5/30/2002
CA2063	CWB Announces Expanded Pricing Options	5/30/2002
CA2061	Minor-Use Pesticide Initiative	5/30/2002
CA2060	This Week in Canadian Agriculture, Issue 17	5/10/2002

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